

ARTICLE APPEARED
ON PAGE A21

THE WASHINGTON POST
15 December 1980

Rowland Evans and Robert Novak

The Sub-Cabinet May Be the Key

"A really terrific appointment!" gushed a senior aide to President Carter upon hearing that Merrill Lynch's Donald T. Regan would be Ronald Reagan's secretary of the Treasury. Small wonder. Don Regan not only personally contributed the maximum \$1,000 to Jimmy Carter's campaign, but supported his administration's economic ventures.

In contrast, he played no part in Ronald Reagan's campaign and did not back his daring tax-reduction program until being named to the Cabinet. Even then, the prospective Treasury chief stumbled; Regan seemed to make tax cuts conditional on budget cuts, which never has been the president-elect's policy.

So peculiar an appointment to the Treasury is no aberration but flows naturally from Reagan Cabinet-making. Instead of seeking men or ideas or just ideological compatibility with Reagan, the president-elect's inner circle stressed managerial skills and status in the establishment.

This results in a Cabinet ill-equipped for the radical reform of economic, social and national security policy intended by Reagan—save for Rep. David Stockman as budget director and, presumably, Gen. Alexander Haig as secretary of state. Consequently, the president-elect now may be forced to impose sub-Cabinet officers on his Cabinet members to carry out those reforms.

Reagan himself is responsible for some peculiar choices. Caspar Weinberger, the secretary of defense-designate who during the campaign resisted Reagan's formula of rebuilding the nation's defense no matter what the cost, is intensely admired by the president-elect. William French Smith, the attorney general-designate who as a University of California regent supported racial quotas found abhorrent by Reagan, is the president-elect's personal lawyer.

But the president-elect did not even know Regan two weeks ago. His name was surfaced by that artfully bubbling backroom maneuverer, William Casey (campaign chairman and now CIA director-designate). Casey is Don Regan's friend and, what's more, his New York law firm receives fat fees from Merrill Lynch. Republican politicians who did not take Regan seriously as a contender for the Treasury underestimated Casey.

For Don Regan to become a senior Cabinet member in a Republican administration amuses Wall Street insiders, who always figured the self-described "lifelong Republican" was angling to give the bipartisan touch to a Democratic Cabinet. The \$1,000 personal contribution to Carter's campaign and the extra \$1,700 from Regan's Merrill-Lynch political action committee were not the end of his 1980 Democratic dalliances.

He personally contributed to Sens. Russell B. Long of Louisiana and Daniel Patrick Moynihan of New York. Recipients of Merrill-Lynch PAC funds are a liberal Democratic Who's Who: Sen. Alan Cranston (Calif.), Sen.-elect Chris Dodd (Conn.), Sen. Thomas F. Eagleton (Mo.), Sen. Pat Leahy (Vt.), Sen. Gaylord Nelson (Wis.), Rep. Thomas Downey (N.Y.), Rep. Robert Eckhardt (Tex.), Rep. Wyche Fowler (Ga.), Rep. Henry Reuss (Wis.) and many others.

Since Regan and the Merrill Lynch PAC also contributed to many Republicans, this can be dismissed as big-business cynicism playing both sides of the street. More troubling is the esteem for Regan at the Carter White House for supporting the Carter economic policy (including wage-price guidelines) and not supporting Kemp-Roth tax reduction, embraced by the president-elect.

Even after Ronald Reagan's nomination for president, lifelong Republican

Don Regan could not endorse the party's tax position in a statement submitted July 25 to the House Ways and Means Committee. That statement and comments following his Cabinet nomination betrayed the need for a cram course in supply-side economics.

Interviewed on the CBS Morning News the day after his unveiling, Regan was asked whether he would still push tax cuts if Congress resisted budget cuts. His reply: "I think the thing has to be done as a package." That confirmed the absolutely unfounded suspicions of the Wall Street smart boys that the president-elect was abandoning tax cuts.

Why was Don Regan preferable to New York City businessman Lewis Lehrman, who is a loyal Republican, a devoted Reaganite and a brilliant student of supply-side economics? Lehrman is too young (42), too unknown, say Reagan insiders. But why not, then, 67-year-old shipping tycoon Peter Grace, who also is loyally Republican, Reaganite and supply-side? Probably because Bill Casey did not back him.

Apprehension about Treasury policy would be eased if Lehrman (who knows, likes and admires Don Regan) were named deputy secretary. Similarly, a defense expert would help Weinberger as deputy at the Pentagon. But Weinberger stunned the defense community when he advised that his tentative choice is Frank Carlucci, a non-ideological civil servant who is now President Carter's deputy CIA director.

The president-elect has promised visitors he will make sure sub-Cabinet officials fit his policies. Since he set no such requirement for Cabinet members, picking the sub-Cabinet could determine what happens to his radical plans for transforming national policy.

© 1980, Field Enterprises, Inc.